

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** April 29, 2009  
**POSITION:** Oppose

**BILL NUMBER:** SB 695  
**AUTHOR:** C. Kehoe  
**RELATED BILLS:** AB 413

### **BILL SUMMARY:** Electricity: Rates

Existing law prohibits the California Public Utilities Commission (PUC) from increasing electricity charges for residential customers for usage of up to 130 percent of existing baseline quantities until the Department of Water Resources (DWR) has recovered all the costs of power it has procured for California's electrical corporations. The bill would also suspend the right of retail end-use customers to acquire direct-access service for electricity from other providers until DWR no longer supplies power.

This bill would prohibit PUC from permitting an electrical corporation to employ time-variant pricing for residential customers, but to offer the option of receiving time-variant pricing service. Additionally, the bill would require the commission to establish the CARE program for assistance to low-income electric and gas customers. Lastly, the bill would require the electrical corporations to target energy efficiency and solar programs to specific customers to result in long-term permanent electricity reductions. The bill is an urgency measure and would take effect immediately upon the Governor's signature.

### **FISCAL SUMMARY**

According to the PUC, it would require 2.0 positions and \$210,000 PUC Utilities Reimbursement Account to implement this bill. Any staffing and resource needs to implement this bill would be evaluated during the annual development of the Governor's Budget.

Under Section 6(b) of Article XIII B of the California Constitution, any costs to a unit of local government which result from legislation defining a new crime or changing an existing definition of a crime are not reimbursable by the state. Therefore, any local government costs resulting from the mandate in this measure would not be state-reimbursable, because the mandate only involves the definition of a crime or the penalty for conviction of a crime.

### **COMMENTS**

Finance is opposed to this bill because it would limit the authority of the PUC to implement dynamic pricing for residential customers. The dynamic pricing provision of the bill would limit the benefits of advanced metering infrastructure and smart grid technology.

The bill would make several changes that affect electric rates, including codifying eligibility for the CARE program, barring mandatory dynamic pricing for residential electric customers, and lifting the current cap on some residential electricity rates. The bill would also modify Low Income Energy Efficiency programs and relax some statutory constraints on existing direct access arrangements, while removing the PUC's discretion to completely reopen direct access.

(Continued)

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| Analyst/Principal<br>(0621) K. DaRosa | Date | Program Budget Manager<br>Karen Finn | Date |
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| Department Deputy Director | Date |
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| Governor's Office: | By: | Date: | Position Approved _____    |
|                    |     |       | Position Disapproved _____ |

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| <b>BILL ANALYSIS</b> | Form DF-43 (Rev 03/95 Buff) |
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**AUTHOR**

**AMENDMENT DATE**

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C. Kehoe

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SB 695

**COMMENTS** (continued)

Assembly Bill 413 (Fuentes) is virtually identical to this bill. The bill would eliminate the current electricity rate freeze, provide limited expansion of direct access electricity service, and provide various other rate stabilization options authorized by the PUC to address emergency measures instituted during the 2001 energy crisis.

|                   |  | SO                     | (Fiscal Impact by Fiscal Year) |           |    |           |    |           |      |
|-------------------|--|------------------------|--------------------------------|-----------|----|-----------|----|-----------|------|
| Code/Department   | LA                                       | (Dollars in Thousands) |                                |           |    |           |    |           |      |
| Agency or Revenue | CO                                       | PROP                   |                                |           |    |           |    |           | Fund |
| Type              | RV                                       | 98                     | FC                             | 2008-2009 | FC | 2009-2010 | FC | 2010-2011 | Code |
| 8660/PUC          | SO                                       | No                     | C                              | \$105     | C  | \$210     | C  | \$210     | 0462 |
| <u>Fund Code</u>  | <u>Title</u>                             |                        |                                |           |    |           |    |           |      |
| 0462              | Publ Utilities Comm Utilities Reimb Acct |                        |                                |           |    |           |    |           |      |